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Means of implementation for sustainable forest management

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Report of the Secretary General

Summary

According to the United Nations Forum on Forests multi-year programme of work, means of implementation for sustainable forest management, including financing, is a recurring cross-cutting issue for each session. At the special session of its ninth session, in October 2009, the Forum adopted a resolution on the means of implementation for sustainable forest management, in which it decided to establish the Open-ended Intergovernmental Ad Hoc Expert Group on Forest Financing and a facilitative process. At its ninth session, the Forum considered the report of the first meeting of the Open-ended Intergovernmental Ad Hoc Expert Group and reviewed the performance of the facilitative process. In a resolution entitled "Forests for people, livelihoods and poverty eradication", adopted by the Forum at its ninth session, the Forum emphasized the importance of intersessional activities in preparation for the second meeting of the Open-ended Intergovernmental Ad Hoc Expert Group in January 2013. In accordance with the resolution adopted at its special session the Forum is to make a decision on forest financing during its tenth session. The present report provides a report on the intersessional activities on forest financing undertaken from February 2011 to January 2013. The present report contains recommendations on forest financing options and measures from all sources and for all types of forests and trees outside forests based on the outcomes of the intersessional work, including that of the second meeting of the Open-ended Intergovernmental Ad Hoc Expert Group for consideration by the Forum at its tenth session.

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I. Introduction

1. According to the Forum's multi-year programme of work, means of implementation, is a recurring cross-cutting issue for each session.

2. At the special session of its ninth session, held on 30 October 2009, the Forum adopted a resolution on means of implementation for sustainable forest management (E/2009/118-E/CN.18/SS/2009/2, para. 3), in which it decided to establish the Open-ended Intergovernmental Ad Hoc Expert Group on Forest Financing and a facilitative process. In its decision 2009/268, the Economic and Social Council took note of the report of the special session.

3. The mandate of the Open-ended Intergovernmental Ad Hoc Expert Group is to make proposals on strategies to mobilize resources from all sources to support the implementation of sustainable forest management, the achievement of the global objectives on forests and the implementation of the non-legally binding instrument on all types of forests (forest instrument) (see General Assembly resolution 62/98, annex), including, inter alia, strengthening and improving access to funds and establishing a voluntary global forest fund, taking into account, inter alia, the results of the Forum's review of the performance of the facilitative process, views of Member States and the review of sustainable forest management-related financing instruments and processes.

4. Pursuant to the above-mentioned resolution, the Open-ended Intergovernmental Ad Hoc Expert Group was to hold two meetings, one before the ninth session and one before the tenth session of the Forum, and make its final recommendations to the Forum at its tenth session for its consideration and decision. Accordingly, at its ninth session, the Forum considered the report of the first meeting of the Open-ended Intergovernmental Ad Hoc Expert Group, held in September 2010 in Nairobi (E/CN.18/2011/13), and reviewed the performance of the facilitative process.

5. In its resolution entitled "Forests for people, livelihoods and poverty eradication" adopted by the Forum at its ninth session, the Forum emphasized the importance of intersessional activities in preparation for the second meeting of the Open-ended Intergovernmental Ad Hoc Expert Group (E/2011/42-E/CN.18/2011/20, para. 2). A ministerial declaration was also adopted during the ninth session, in which Ministers committed to taking a meaningful decision on forest financing at the tenth session of the Forum (ibid., para. 1, draft decision I).

6. The intersessional activities on forest financing included a wide range of activities, which are described in the present report, and the results and outcomes of which were submitted to the Open-ended Intergovernmental Ad Hoc Expert Group at its second meeting. The report of the second meeting of the Open-ended Intergovernmental Ad Hoc Expert Group is contained in document E/CN.18/2013/12.

7. The present report has been prepared to facilitate deliberations on means of implementation for sustainable forest management at the tenth session of the United Nations Forum on Forests and to inform the Forum of intersessional activities on forest financing, including the work of the facilitative process and the outcome of the second meeting of the Open-ended Intergovernmental Ad Hoc Expert Group, so as to enable the Forum to make a decision on forest financing during its tenth session.

II. Report on the work of the facilitative process

A. Functions of the facilitative process

8. At the special session of its ninth session, the Forum decided to establish a facilitative process. The facilitative process has the following functions (see E/2009/118-E/CN.18/55/2009/2, para. 3, and E/2011/42-E/CN.18/2011/20, para. 2):

(a) To assist in mobilizing and supporting new and additional financial resources from all sources for sustainable forest management;

(b) To assist countries in mobilizing, accessing and enhancing the effective use of existing financial resources from all sources for sustainable forest management, taking into account national policies and strategies;

(c) To identify, facilitate and simplify access to all sources of finance for sustainable forest management;

(d) To identify obstacles to, gaps in and opportunities for financing sustainable forest management;

(e) To assist countries in developing national financing strategies for sustainable forest management within the framework of national forest programmes or their equivalent, as called for in the non-legally binding instrument on all types of forests;

(f) To facilitate the transfer of environmentally sound technologies and capacity-building to developing countries;

(g) To provide advice, upon request, and to share examples of good practice in improving the enabling environment for sustainable forest management, in particular in achieving the four global objectives on forests and implementation of the non-legally binding instrument on all types of forests, in order to attract public- and private-sector investment and philanthropic funding;

(h) To enhance coordination, cooperation and coherence among relevant funding sources and mechanisms to improve the implementation of the non-legally binding instrument on all types of forests and the achievement of the global objectives on forests at all levels and to improve the effective and efficient use of available financial resources for its implementation;

(i) To work to identify the barriers to access to financing, in particular for developing countries and countries with economies in transition, to suggest ways to simplify relevant procedures and build the capacity of countries to remove them and to examine the effects, impact and synergies of cross-sectoral and cross-institutional activities on forest financing;

(j) To encourage relevant institutions, such as international financial institutions, as appropriate, working in close concert with regional forest processes, to further develop ways to mobilize resources from all sources and to mainstream the global objectives on forests in their programmes.

B. Activities of the facilitative process

9. It is important to note that the facilitative process is an advisory process and not a funding mechanism. The facilitative process works in partnership with financing and funding processes in a mutually supportive and complementary manner.

10. The secretariat of the United Nations Forum on Forests initiated the facilitative process immediately after the adoption of the resolution at the special session of the ninth session of the Forum, with a project on identifying gaps, obstacles and opportunities in financing sustainable forest management in small island developing States and low forest cover countries. The project was selected to kick-start the facilitative process following the 2008 study by the Advisory Group on Finance of the Collaborative Partnership on Forests, which found that the two categories of countries to have suffered the most from the drop in donor forest financing in the past two decades were small island developing States and low forest cover countries. Funding for the project was provided by the United Kingdom of Great Britain and Northern Ireland and the Global Environment Facility.

11. A series of 11 preliminary studies were carried out on forest financing covering 49 low forest cover countries and 38 small island developing States. These studies laid the foundation for discussions in four interregional workshops that brought together experts and practitioners at the national, regional and international levels. The two workshops for low forest cover countries were held from 12 to 17 November 2011 in Tehran and from 30 January to 3 February 2012 in Niamey.[1]

12. Several recommendations and conclusions were agreed at the workshops. In Tehran, participants agreed, among other things, to (a) improve the enabling environment to facilitate and encourage involvement of the private sector; (b) ensure law enforcement and governance to prevent companies from exhausting natural resources; and (c) promote forest landscape restoration in countries where such potential exists, especially in low forest cover countries.

13. In Niamey, participants stressed the need to: (a) explore the full range of non-timber forest products, including fruit trees in Central Asia and shea and gum arabic in the Sahel and West Africa; and (b) recognize that trees outside of forests are a component of sustainable forest management, as they provide a link between forests and other types of vegetation cover.

14. The two workshops for small island developing States were held in Port of Spain from 23 to 27 April 2012 and in Nadi, Fiji from 23 to 27 July 2012. Participants in the Port of Spain workshop highlighted the need to promote the full economic valuation of forests, including the contribution that forests make to other sectors, and build on existing regional processes, such as the Caribbean Community, the Organization of Eastern Caribbean States, the Association of Caribbean States, the Secretariat of the Pacific Community, the South Pacific Regional Environment Programme, the Economic Commission for Latin America and the Caribbean and the Economic and Social Commission for Asia and the Pacific, to promote regional and South-South cooperation and coordination. In Nadi, participants called for promoting a landscape approach wherever possible so as to recognize linkages,

[1] The reports of the meetings are available from http://www.un.org/esa/forests/facilitative-process.html.

including financial linkages, between forests and other land use types. In particular in small island developing States, the landscape approach extends to a ridge-to-reef approach. Participants also recognized the need to promote national sources of forest financing, including fiscal policies to create systemic and long-term support for forests.

15. A parallel and similar project on facilitating forest financing in Africa and least developed countries was undertaken by the secretariat of the Forum, with funding from Germany and Sweden. Four macrolevel papers and four country cases provided an in-depth analysis of the current institutional, geographic and economic context of sustainable forest management funding in Africa and least developed countries at the national, regional and international levels. The studies also identified some key funding challenges for those countries, and provided suggestions for mobilizing increased financing for forests, taking into account intersectoral linkages, notably the impact of other sectors, such as agriculture and transport, on financing sustainable forest management. The studies also took advantage of the findings and lessons learned from the previous project on low forest cover countries and small island developing States.

16. The studies were reviewed at two interregional meetings, which were held in Nairobi from 11 to 13 December 2012 and in Dakar from 8 to 10 January 2013. Twenty-eight African and least developed countries, along with other relevant stakeholders, participated in the meetings and identified key recommendations for further action in Africa and least developed countries in the area of forest financing.[1]

C. Assessing the performance and potential future activities for the facilitative process

17. The resolution of the special session of the ninth session of the Forum includes several functions for the facilitative process and gives special attention to the situations of specific groups of countries. All functions of the facilitative process are of equal importance and there is no doubt that all functions have to be implemented with regard to the categories of countries identified in the resolution.

18. The facilitative process has implemented several projects focusing on identifying gaps, obstacles and opportunities in forest financing, with the participation of more than 120 countries and 14 international organizations and donors.

19. The facilitative process has proved to be extremely beneficial to countries in their efforts to address forest financing challenges. It has assisted a large number of countries to work together on issues of common concern and to identify solutions to address these concerns. It has great potential to do much more for countries and other stakeholders. In collaboration with other relevant institutions, the facilitative process can play the role of a broker to further improve access to forest funding by countries and to help identify sources of funding.

20. The facilitative process can also assist at the national level through the preparation of a forest financing toolkit to assist countries in developing national forest financing strategies that take into account national policies and strategies.

21. It is worth mentioning that the work of the facilitative process depends entirely on voluntary contributions to the Trust Fund for the United Nations Forum on Forests. The limited staffing and financial resources currently available have prevented the facilitative process from launching activities to fulfil all of its functions immediately. If sufficient resources were provided, it would be possible to have a long-term plan for implementation of all facilitative process functions, as well as those recommendations that emanated from the intersessional activities on forest financing. For example, a project similar to the one on small island developing States and low forest cover countries (see para. 10) could be carried out for the other categories of countries listed in the resolution of the special session of the ninth session of the Forum, or donor coordination and cooperation could be enhanced by identifying where lack of coordination remains and how different donor data on forest financing could be harmonized.

22. In the light of the above, the Forum may wish to review the performance of the facilitative process, provide guidance for further work by the facilitative process and identify corresponding resources.

III. 2012 study on forest financing by the Advisory Group on Finance of the Collaborative Partnership on Forests

23. In its resolution on forests for people, the Forum invited the members of the Collaborative Partnership on Forests to expand and update the 2008 finance paper of the Advisory Group on Finance of the Collaborative Partnership on Forests.[2] In paragraphs 28, 29, 32 (a) and 34 of the resolution, the Forum set the terms, scope and main components for the 2012 study of the Advisory Group on Finance on forest financing.

A. Scope and content of the study

24. The 2012 study of the Advisory Group on Finance on forest financing contains six chapters, which address the requests in the resolution. Chapter 1 reviews the flow of financing to forests from all sources. Chapter 2 includes analyses of opportunities for forest-related financing in relation to climate change, biological diversity, sustainable land and forest management, and land degradation and desertification. The chapter also reviews financial resources associated with forest law enforcement and governance processes, as well as the transfer of environmentally sound technologies and capacity-building. Chapter 3 maps changes in thematic areas, geographic regions or country groups with respect to forest financing and identifies gaps and needs. Chapter 4 identifies barriers to accessing resources for forests, presenting a comprehensive analysis of the main obstacles that countries and other stakeholders face. Based on this analysis, proposals are made on how to overcome the barriers. Chapter 5 highlights a number of success stories in forest financing.

[2] Marku Simula, *Financing Flows and Needs to Implement the Non-Legally Binding Instrument on all Types of Forests*, the Advisory Group on Finance of the Collaborative Partnership on Forests, 2008 (available from http://www.profor.info/sites/profor.info/files/Analyzing_Financing_Flows.pdf).

25. Chapter 6 proposes actions and measures to mobilize financing from all sources and for all types of forests at all levels. The chapter also provides suggestions on strengthening existing forest-related mechanisms and instruments at the global level. Chapter 6 also contains a review of the advantages and disadvantages of establishing a voluntary global forest fund and makes some suggestions on these issues.

26. The data and information for the study were compiled from existing databases on global and regional forest financing activities, input from members of the Collaborative Partnership on Forests, reviews of the literature on forest financing and inputs from individual consultants and experts. In addition, queries were sent to countries with designated United Nations Forum on Forests national focal points on forest-related financing activities at the national and subnational levels. Finally, the study incorporated the agreed recommendations from the first three facilitative process meetings on forest financing in low forest cover countries and small island developing States.

27. In general, the issues encountered in the preparation of the 2012 study are similar to that of the 2008 study. Information continues to be more limited in the area of national sources of public and private forest finance than of international sources. There remain differences in thematic coverage in reporting countries. Limited access to information, particularly in the private sector and at the national level for many countries, remains a challenge. Forest data continue to be aggregated within other sectors and large data gaps remain.

28. Access to data related to official development assistance also continues to be difficult, as the reporting guidelines for financing flows to forestry, as determined by the Organization for Economic Cooperation and Development (OECD) are narrower than the scope of work of the Forum on forest finance. There continue to be differences in national and organizational reporting standards to OECD, including the inclusion by some countries of concessional bilateral credits and loans as official development assistance. The risk of double counting official development assistance flows going through multilateral organizations remains.

29. In addition, it is difficult to adequately capture the value of many forest goods and services, including both timber and non-wood forest products, as not all these products enter formal markets. Services provided by forests, such as climate change mitigation and carbon sequestration, are similarly difficult to valuate, since they are not often marketed and are invisible in economic statistics. This has resulted in consistent and serious undervaluation of forest goods and services in official statistics and poses an additional challenge to comprehensive identification of all sources of financing for forests.

B. Key findings of the study

30. The 2012 study provides a far more substantive base of information than was ever provided before, in spite of all the limitations. The study identifies the current knowledge on forest finance obtained from multiple sources, including local and national government experts, other experts and representatives of multilateral institutions. The study presents major findings on the state of forest financing across the globe.

31. In the study, the global funding requirement for sustainable forest management is estimated at between $70 and $160 billion per year. Globally, resources remain insufficient to address all seven thematic elements of sustainable forest management, as defined in the forest instrument, in a balanced way.

32. Most countries are unable to raise adequate public funds for the forest sector, and reinvestment of revenues in forest management has been minimal. Conversion of public forest institutions into semi-autonomous commercial enterprises has been used to improve self-financing from the forest sector. Another trend is the establishment of national forest funds for the mobilization of additional funds from other sources.

33. Official development assistance disbursements increased by an average of 125 per cent between 2002-2004 and 2008-2010, due largely to financing related to reducing emissions from deforestation and forest degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks (REDD-plus). Thus, the fourth global objective on forests, to the extent that it deals with official development assistance, has been achieved. High forest cover countries have received the majority of forestry official development assistance. But most high forest cover countries with lower rates of deforestation, low forest cover countries and small island developing States, have continued to see a decline in forest financing. Low forest cover countries and small island developing States continue to experience decreases in official development assistance for forestry.

34. The private sector, including forest communities, smallholders, industry and other investors, is a key source of financing for forests, mostly through investments in forests managed for wood production. New private investors generally come from outside the forest industry and seek suitable combinations of financial returns and risk levels. Smallholders have limited access to financing compared to large producers, and sustainable management of natural forests receives limited financing compared to planted forests and protected areas.

35. Existing, new and emerging forest-related financing mechanisms have provided significant resources that are linked mainly to climate change, and to a lesser extent to biodiversity.

36. The potential for REDD-plus to contribute to forest financing is estimated at as much as $6.2 billion per year in 2020. Around $4 billion was pledged for the period 2010-2012. Apart from REDD-plus, however, many of the carbon-related initiatives have few or no forest activities. Payment of ecosystem services schemes is not yet broadly applied and requires enabling policy frameworks and development of market and non-market financing mechanisms.

37. Other obstacles to mobilization of forest financing include inadequate enabling conditions, insufficient capacities, donor and investor concerns about governance, insecure tenure, illegal activities, problems associated with eligibility and complex procedures for access to external resources. Sometimes inefficient use of the existing resources has further exacerbated the problem.

38. Success in forest financing stems mainly from strong political support; good systems of governance; efficient, robust and flexible implementation; and involvement of forest communities and other stakeholders. The study stresses that no single solution can address the need for forest financing, and a mixture of measures should be undertaken at all levels.

39. To that end, the study concludes that national forest financing strategies should target raising additional financing and using resources more efficiently, as well as connecting with relevant sectors and programme objectives within the forest sector. Implementation of the forest instrument has to be strengthened at all levels. Improving statistics and data collection on financing flows to sustainable forest management and related issues at all levels is essential for making systematic progress, and relevant mechanisms have to be strengthened in order to address data gaps and generate consistent and accurate data.

40. Access to resources of the existing forest-related financing mechanisms can be further improved by adjusting public sector financing criteria and streamlining the relevant procedures. The study also concludes that consideration should be given to strengthening existing forest-related financing mechanisms and establishing a new fund or funds for sustainable forest management devoted to addressing the needs and gaps that are not addressed by existing mechanisms.

IV. Organization-led initiative by the Collaborative Partnership on Forests

41. In its resolution on forests for people, the Forum called for the active involvement and engagement of the members of the Collaborative Partnership on Forests in the intersessional activities of the Forum on forest financing, and invited members of the Collaborative Partnership on Forests to consider holding an organization-led initiative in support of the work of the Forum on forest financing.

42. Accordingly, the secretariat of the Forum and the Food and Agriculture Organization of the United Nations (FAO), with the support of other members of the Collaborative Partnership on Forests and financial contributions from donor countries, jointly organized the initiative, which was held in Rome from 19 to 21 September 2012. The initiative aimed to deepen understanding and knowledge about the state of forest financing and various challenges that stakeholders were facing. The 2012 study of the Advisory Group on Finance on forest financing was first presented at the initiative. Participants had rich and deep discussions on the findings of the study and shared information on new developments related to forest financing.

43. Participants in the initiative identified some key actions, recommendations and suggestions on mobilizing financing for all types of forests at the national and international levels. These included, among other things, strengthening cross-sectoral and interdepartmental collaboration, building the capacities of countries to access funding, integrating planning for forest financing, establishing a specific Global Environment Facility focal area on forests, improving access to consistent and accurate data at all levels, creating an enabling environment for financing and considering a specific global forest instrument or convention, as well as the establishment of a global forest fund or funds.

44. Participants also explored actions to address gaps and needs in forest financing and take advantage of opportunities at the national, regional and international levels; strengthen funding mechanisms that address the multiple functions of forests; improve understanding on the potential of the private sector with regard to financing forests; and take advantage of the subregional and regional networks.

45. In developing options on forest financing, participants highlighted the importance of utilizing the potential of the facilitative process and brokerage services to improve access to forest financing; giving special consideration to dryland forests and the situation of the low forest cover countries, small island developing States and least developed countries in developing global forest financing options; devoting specific funds to addressing thematic gaps in financing all seven thematic elements of sustainable forest management; taking advantage of new and emerging financing mechanisms such as the Green Climate Fund and REDD-plus; and strengthening implementation of the forest instrument, utilizing all sources of financing from all levels. The Co-Chairs of the organization-led initiative submitted a summary of key actions, recommendations and suggestions highlighted during the meeting to the Open-ended Intergovernmental Ad Hoc Expert Group at its second meeting (E/CN.18/AEG/2013/2, annex).

V. Other intersessional activities on forest financing

A. Study on the impacts and implications of the price of carbon on forest financing

46. With the decision of the Conference of the Parties to the United Nations Framework Convention on Climate Change, held in Bali, Indonesia, in December 2007 to include policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks under the climate change convention, there is unprecedented enthusiasm for funding for forests in the context of climate change among donor and recipient countries alike.

47. The emphasis on financing for REDD-plus presents challenges for other forest financing, in particular in the short term, as financing for forests may be diverted or re-labelled as REDD-plus. More research is needed to know the extent to which there is a real or perceived increase in funding for sustainable forest management through REDD-plus, as framed by the forest instrument. In addition, it is important to identify measures necessary to ensure appropriate distribution of financing to thematic and geographical areas not presently covered under REDD-plus, with particular reference to low forest cover countries, small island developing States, least developed countries and countries with high forest cover and low deforestation rate.

48. Other issues that need to be addressed include the extent to which REDD-plus has catalysed or hindered subnational markets in timber and non-timber forest products; the consequences of REDD-plus programming in terms of disrupting parallel socioeconomic development programmes and projects; the impact of REDD-plus on the exclusion of certain forest management practices, such as plantations; the impact of REDD-plus on the preservation of indigenous and traditional knowledge and values with respect to forests; the impact of REDD-plus on land tenure and customary rights to land use; and the extent to which REDD-plus has improved coherence and coordination among relevant mechanisms and institutions.

49. To examine some of the implications of REDD-plus on broader forest financing, the Government of Norway and the secretariat of the Forum signed a memorandum of understanding by which a study was commissioned aimed at identifying the potential impact of a price on forest carbon through results-based REDD-plus financing on the economics and financing of forests and related land use. The findings of the study were presented to the Open-ended Intergovernmental Ad Hoc Expert Group at its second meeting.[3] However, more work is needed to better understand the implications of REDD-plus on forest financing.

B. Open-ended informal briefing

50. Pursuant to paragraph 38 of the resolution on forests for people, an open-ended informal briefing by the Co-Chairs of the Open-ended Intergovernmental Ad Hoc Expert Group at its first meeting was held in New York on 19 November 2012 to inform Member States of the progress made in the preparations for the second meeting of the Open-ended Intergovernmental Ad Hoc Expert Group.

C. Compilation of substantive submissions on forest financing

51. In response to paragraph 24 of the resolution on forests for people, 11 submissions were received from countries. These were compiled and submitted to the Open-ended Intergovernmental Ad Hoc Expert Group at its second meeting[4] for review, along with other intersessional inputs.

D. Forests and economic development

52. The secretariat of the Forum prepared background studies on economic contributions of forests, forests and cross-sectoral linkages and changing future choices and the contributions of forests. These studies provide the latest research and thinking on issues related to the main theme of the tenth session of the Forum and are intended to help the experts on forest finance in the Open-ended Intergovernmental Ad Hoc Expert Group to see the substantive connections of actions on forest financing. These studies also assist experts to consider forests in conjunction with national, regional and international trends, such as increasing urbanization, rising commodity prices, and distortions related to food security, energy, scarcity of water and arable land and the impact of rising populations.

E. Post-2015 development agenda and the United Nations Conference on Sustainable Development

53. There are two significant intergovernmental processes relating to the post-2015 development agenda and the United Nations Conference on Sustainable Development, held in Rio de Janeiro, Brazil, from 20 to 22 June 2012, that are

[3] Available from http://www.un.org/esa/forests/pdf/aheg/aheg2/AHEG2_Carbon_Johnson_Takimoto.pdf.

[4] Available from http://www.un.org/esa/forests/pdf/aheg/aheg2/AHEG2_BKpaper1_compilation.pdf.

relevant to the work of the Forum, including its discussion on forest financing (see E/CN.18/2013/6). In this context and pursuant to the decision of the Bureau of the Forum at its tenth session, the secretariat prepared a note on these processes for the Open-ended Intergovernmental Ad Hoc Expert Group at its second meeting (E/CN.18/AEG/2013/INF/2).

VI. Second meeting of the Open-ended Intergovernmental Ad Hoc Expert Group on Forest Financing

54. The second meeting of the Open-ended Intergovernmental Ad Hoc Expert Group was held at the United Nations Office at Vienna from 14 to 18 January 2013. More than 150 experts from 75 countries and 23 regional and international organizations and processes, as well as major groups and independent experts attended. Experts heard several presentations on the findings of the 2012 study on forest financing, the summary of the Co-Chairs of the organization-led initiative, the facilitative process meetings on forest financing, the study on the impacts of the price of carbon on forest financing, and private sector financing for forests, as well as other relevant input, including background studies on forests and economic development.[5] Two keynote speakers also provided their views on the feasible and realistic strategies on forest financing.

55. These presentations and subsequent interactive discussions led to identification of some actions and measures that should be taken to mobilize financing for forests at all levels and from all sources.

56. Participants in the second meeting of the Open-ended Intergovernmental Ad Hoc Expert Group highlighted the fact that new global trends, such as increased urbanization, as well as ongoing deliberations on the post-2015 development agenda and sustainable development goals, have affected the discussion on forest financing. They also discussed data, geographic and thematic gaps with regard to forest financing, as well as the means to address these gaps. Participants highlighted the need to broaden the basis for data collection from multiple sources, as well as to ensure systematic efforts at all levels to generate accurate, consistent and reliable data.

57. Participants also discussed some actions that are necessary to provide a more enabling environment, and to improve capacity-development activities and the involvement of various stakeholders in mobilizing financing for forests, including national Governments, the private sector and member organizations of the Collaborative Partnership on Forests. Experts also highlighted several other policy, institutional and legislative measures to increase financing for forests at all levels, as well as the need to include cash and non-cash values of forests in developing strategies to finance forests.

58. Participants also discussed various options and measures for mobilizing forest financing at the national, regional and international levels. The role of national forest programmes, as an effective policy tool for mobilizing financing, as well as other measures, such as development of national forest financing strategies and establishment of national forest funds, were highlighted. At the regional and

[5] See http://www.un.org/esa/forests/adhoc.html.

international levels, experts highlighted the need to promote interregional and intraregional collaboration on forest financing, increase financing for implementation of the forest instrument and strengthen existing forest-related financing mechanisms, such as the Global Environment Facility, the World Bank, various mechanisms within the Rio Conventions and Collaborative Partnership on Forests member organizations, such as FAO, the Global Mechanism of the United Nations Convention to Combat Desertification and the facilitative process.

59. Participants also discussed at length the pros and cons of establishing a voluntary global fund to finance sustainable forest management. A number of other ideas were suggested, such as identifying brokering intermediary institutions to mobilize funding for forests or having an umbrella structure to coordinate the existing multilateral funds related to forests.

60. Based on the discussions at the second meeting, the Co-Chairs prepared a summary, in which they also provided a set of proposals and options for forest financing. Experts attending the meeting adopted the report of the meeting and took note of the Co-Chairs' summary, which is annexed to the report of the meeting (E/CN.18/2013/12).

VII. Forest financing: the way forward

61. The resolution adopted by the Forum at the special session of its ninth session provided the foundation for beginning a four-year workplan on forest financing, from October 2009 to April 2013. During this period, the Forum undertook substantive work never before carried out by any body, organization or convention, involving analytical and operational input from Governments, international and regional organizations and stakeholders from countries with different levels of development and forest cover.

62. The forest financing process and related intersessional activities of the Forum provided opportunities for multidisciplinary, multi-stakeholder discussions and input on forest financing.

63. The forest financing process of the Forum enabled stakeholders to engage in a frank and constructive dialogue and to focus on providing a wide range of inputs with feasible, efficient and credible suggestions for action to address forest financing. The level of knowledge, information and enthusiasm on forest financing has been unprecedented and has provided the Forum with a unique and extraordinary opportunity to make a historic decision on forest financing at its tenth session.

64. Strengthening and mobilizing resources for forests at the national level is contingent upon improving policy, legislative and institutional frameworks, as well as providing a platform for engagement of various stakeholders, including forest communities, smallholders, civil society, indigenous people and the private sector. In this regard, national forest financing strategies are effective means for mobilizing financial resources from all possible sources and supporting key activities necessary for sustainable forest management. National forest financing strategies should work in a holistic fashion and strengthen links to the finance sector, as well as to the agriculture, water, energy and other relevant sectors.

65. These strategies should be a part of the national forest programmes and should promote coherence in implementation of various multilateral environmental agreements at the national level. Cooperative approaches could catalyse more effective financing for all. These could include joint preparation and implementation of the national forest financing strategies, with the national resource mobilization strategies and investment frameworks supported by the Convention on Biological Diversity and the United Nations Convention to Combat Desertification.

66. The development and incorporation of national forest funds into national forest programmes and forest policy and legislation is another effective option for addressing forest financing needs.

67. Increasing financing for the implementation of the forest instrument was one of the key recommendations that came out of the intersessional work. It is important to note that, while the forest instrument is not legally binding, it is the only globally agreed framework on forests that provides a comprehensive set of actions to promote the sustainable management of all types of forests at all levels.

68. Given the importance of forests to achieving the objectives of all three of the Rio Conventions, consideration should be given to establishing a marker for forest funding similar to the Rio Marker to address the forest instrument and the global objectives on forests.

69. One of the key conclusions that emerged from the four-year work of the Forum on forest financing is that addressing data gaps is one of the most fundamental challenges. Data gaps exist at all levels and apply to different stakeholders. There is a clear need to strengthen national statistical data, as well as mechanisms and processes for collecting data on forest financing, including in the implementation of the forest instrument.

70. More effective coordination of efforts across the United Nations system, including through innovative social and technological means to communicate data, would help countries to access information. Collaborative Partnership on Forests member organizations could be instrumental in collecting data on forest financing by designating lead agencies to collect specific data, in accordance with their mandates. It is equally important for the Collaborative Partnership on Forests to work to produce consistent and accurate data on forest financing, including data on cross-sectoral financing that goes to forests.

71. Regional and subregional coordination and cooperation are instrumental in mobilizing financial resources for forest management and must be strengthened to help countries address sustainable forest management challenges in general and financing of forests in particular.

72. The private sector has a critical role in shaping the market and generating financing for forests at the national and international levels. An enabling environment is key to engaging the private sector in increasing financing for forests. An enabling environment entails policy and regulatory conditions in which the interests of both investors and beneficiaries (people and the environment) are respected and ensured.

73. How to mobilize sufficient funding for sustainable forest management has been the subject of policy debate at the global level for more than 20 years. Part of this discussion has been on options that could help address the issue at the global

level, including strengthening existing forest financing mechanisms and establishing a voluntary global forest fund.

74. While arguments have been put forward for and against both options, many are of the view that these options are not mutually exclusive. The agreement at the ninth session of the Forum, in 2011, was that all options to mobilize resources for forests should be considered.

75. The inputs prepared during the intersessional period put forward various proposals to strengthen existing forest financing mechanisms, as well as the possible functions of a global forest fund. A global fund could focus on aspects of sustainable forest management that are not covered by other conventions and organizations. It would need to give priority to the thematic and geographical areas that have been identified as having major financing gaps. The fund could also meet important up-front financing requirements by creating an enabling environment that would attract funds from other sources. A global fund should also identify a role for national funds that will complement the country-level resources to finance sustainable forest management, including national forest funds. Defining the links between such a fund and, for example, national forest programmes and national forest financing strategies could also be useful.

76. It is important to know how a global forest fund would operate if created, where it would be located, what the modalities would be for accessing its resources, what the eligibility criteria would be, how the funds would be collected and ensured, how a global fund would work with existing multilateral forest financing mechanisms and how complementarity among these funds and mechanisms would be ensured.

77. Alternatively, a number of "targeted funds" could complement the existing forest-related financing mechanisms to address the sustainable forest management gaps and needs. While this would require some policy adjustments in the respective institutions and organizations to include sustainable forest management elements in their work, it might result in fewer complications and duplications.

78. There is no one single solution to address all of the needs in forest financing. The magnitude of the issue requires action at local, national, regional and global levels and by all stakeholders. At the global level it is important to look for a mixture of measures and seek a solution that is based on complementarity and is satisfactory to all parties. In this context, while the international community should strive to strengthen existing forest-related financing mechanisms, it can also consider devoting a fund or funds to addressing sustainable forest management needs and gaps not yet addressed by the existing mechanisms. This solution can bring benefits for all countries and stakeholders.

VIII. Key actions, recommendations and options on forest financing

79. The Forum may wish to consider and take decisions on the recommendations set out below:

80. **Good governance**:

Promote enabling conditions, especially effective institutions at all levels, legal frameworks and political engagement, to attract forest financing from all sources and reduce risk for investment through:

(i) Enhancing secure land tenure and resource tenure rights in land use and inheritance laws, promoting forest law enforcement and inviting FAO to continue to work on implementing the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security;

(ii) Strengthening country-level donor coordination mechanisms in the forest sector and ensuring linkages with national development plans as well as national forest programmes and other sectoral policies;

(iii) Further strengthening communication strategies aimed at improving public understanding of the importance of forests.

81. **Engaging all stakeholders and building partnerships**:

(a) Provide support to processes, such as the international model forest network, that build partnerships, promote dialogue and strengthen the capacities of forest stakeholders, in particular woman and youth, at every level, in particular at the local level;

(b) Invite the Collaborative Partnership on Forests member organizations and donors to support local forest stakeholders and smallholders in the development of cooperatives, forest producer organizations and similar groups to enable group lending practices to improve access to financing for forests;

(c) Develop and implement awareness-raising programmes for policymakers on the economic, social and environmental values of forests and trees outside forests.

82. **Cross-sectoral collaboration**:

(a) Promote knowledge-sharing to improve mutual understanding and communication between the forest sector and other sectors and institutional financial systems to help mobilize funding for forests from other sectors such as the watershed, rangeland, energy, agriculture and tourism sectors, at the national level;

(b) Strengthen cross-sectoral and cross-institutional collaboration at the national level through policy frameworks, such as national forest programmes or their equivalents, to attract more resources for forests, building, inter alia, upon the experiences of the FAO Forest and Farm Facility and its predecessor, the National Forest Programme Facility, in promoting such collaborations at the local and community levels;

(c) Integrate forests in the priority areas of national development plans and identify the values of forest goods and services in national budgets and accounts by collecting data, developing indicators and capturing both cash and non-cash values of forests;

(d) Encourage the World Bank and regional development banks to promote cross-sectoral collaboration and integrate sustainable forest management programmes in their relevant work.

83. **Capacity-building**:

(a) Formulate strategies to address the capacity-development needs of countries, particularly developing countries, especially on accessing funds, including on monitoring and law enforcement activities, data development and management and partnership development;

(b) Encourage financial institutions to develop appropriate lending tools for forest owners and communities;

(c) Secure sufficient financing for research, education and training.

84. **Formal markets, informal markets and the private sector**:

(a) Promote the use of public-private partnerships where public financing and investment can mitigate potential risks for private investment and ensure that private capital is used in a socially and environmentally responsible manner;

(b) Provide a policy environment that encourages private sector investment to create markets that capture non-market forest goods and services;

(c) Assist the private sector to identify gaps, obstacles and opportunities in forest financing to ensure properly targeted investments by the private sector;

(d) Recognize and/or formalize informal markets for local trade in forest products, where applicable, as a key source of financing;

(e) Explore formal and informal financing opportunities such as microfinancing and remittances, which could be channelled through forest owner organizations, cooperatives and producer groups, recognizing the broad and varied nature of the private sector.

85. **National forest financing options**:

(a) Strengthen mobilization of forest financing, in particular through national forest programmes, using a combination of financing approaches, including the creation of national forest funds, and identify other opportunities for financing at the national level;

(b) Create, strengthen and implement forest financing strategies that focus on a cross-sectoral approach to the environmental, social and economic aspects of sustainable forest management as at the national landscape level;

(c) Develop national forest financing strategies, or equivalent strategies, that package financing for forests from all sources in a participatory manner, taking into account the interlinkages between forests issues and other issues, including poverty eradication, food security, climate change, agriculture, rural development, energy, transportation, mining and tourism;

(d) Encourage the development of national forest financing strategies or equivalent strategies.

86. **Addressing sustainable forest management data, geographic and thematic gaps**:

(a) Focus on addressing gaps in forest financing and devote adequate resources and make concerted efforts to address these gaps at all levels;

(b) Support a forest finance data development programme at the national level, working in collaboration with Governments, regional processes, Collaborative Partnership on Forests member organizations, other sectors and development banks;

(c) Make knowledge management on forest economic development, forest financing and returns on investment in sustainable forest management, a continuous process rather than ad hoc, with associated committed funding, and take advantage of data-collection processes in other institutions;

(d) Support Collaborative Partnership on Forests members to strengthen existing data collection and access mechanisms, to address data gaps in forest financing and forest economic development in a systematic, coordinated and coherent manner so as to provide consistent and accurate data across all sectors, and invite donors to provide resources to Collaborative Partnership on Forests members to carry out this responsibility;

(e) Use the existing data-collection frameworks of the Collaborative Partnership on Forests member organizations, including the Partnership's sourcebook on funding for sustainable forest management and the Forum's newly developed reporting format to collect data, in particular in the areas where there are gaps in data, such as quantitative and qualitative information on cross-sectoral forest financing;

(f) Request the secretariat of the Forum to synthesize all findings and recommendations contained in intersessional inputs on forest financing, including information on data, geographical and thematic gaps, and provide them to members of the Forum;

(g) Encourage FAO to further develop its work on national public funding for sustainable forest management as part of the preparation of future FAO forest resource assessments;

(h) Invite OECD to review its forest-related definitions to create new categories of data so as to reflect the cross-sectoral nature of forest financing.

87. **Financing implementation of the forest instrument**:

(a) Increase financing for the implementation of the forest instrument at all levels and in any forest financing strategies to advance sustainable forest management;

(b) Invite all relevant stakeholders, including donors and the Collaborative Partnership on Forests member organizations to support developing countries in implementing the forest instrument;

(c) Promote interministerial coordination for mobilizing financing for implementation of the forest instrument and overcoming the disconnect among different ministries;

(d) Invite Collaborative Partnership on Forests member organizations to mainstream implementation of the forest instrument in the programme of work of various forest-related financing mechanisms, organizations and initiatives;

(e) Invite OECD to set up a tool similar to the Rio marker to track and measure funding for the implementation of the forest instrument and its four global objectives on forests.

88. **Official development assistance**:

(a) Stress that, while forest financing is primarily a national responsibility and self-sustaining in the long term, international assistance including official development assistance has an important catalytic role in promoting sustainable forest management in many countries;

(b) Prioritize forests and cross-sectoral or thematic approaches to enhance the contribution of forests to economic, environmental and social development;

(c) Address fragmentation among forest-related financing mechanisms.

89. **Regional cooperation**:

(a) Strengthen interregional and intraregional cooperation on forest economic development and financing, including the development of proposals to donors for financing, exploration of forest finance and economic development opportunities with the private sector and sharing of relevant experience, knowledge and expertise;

(b) Establish partnerships between regional economic bodies and networks and regional development banks, such as the African Development Bank and the Development Bank of Southern Africa.

90. **Strengthening existing multilateral forest-related financing mechanisms and improving access to their resources**:

(a) Agree to strengthen existing forest-related financing mechanisms by improving access to and efficiency of resources, by mobilizing new and additional resources to address the sustainable forest management needs and gaps that have not yet been addressed and by devoting new and additional funds for forests within those mechanisms, and in this regard invite the mechanisms to:

(i) Modify public sector financing criteria and further streamline international funding processes and procedures to improve access to their funds;

(ii) Promote synergies among their programmes to address financing needs and gaps in the implementation of sustainable forest management;

(iii) Devote specific financial resources and develop programmes to address thematic gaps in forest financing and all seven thematic elements of sustainable forest management, as contained in the forest instrument, so as to realize the full potential of forests;

(iv) Support the preparation of national reports of developing countries to the Forum on the implementation of the forest instrument through the allocation of new and additional funds to the existing forest-related financing mechanisms, including the Global Environment Facility;

(v) Further support countries to undertake forest inventories and valuations to demonstrate the contributions of forests to economic development and to the provision of environmental and social goods and services;

(vi) Support countries in identifying and assessing non-cash values of forest products and services;

(vii) Assist countries to address financing challenges by building capacity to access funding and implement flexible and tailored strategies that package public, private and international finance;

(b) Invite the Global Environment Facility to:

(i) Consider establishment of a new focal area on sustainable management of all types of forests during the next Global Environment Facility replenishment, based on the review of its sustainable forest management/ REDD-plus incentive mechanism and other elements of the Global Environment Facility forest portfolio;

(ii) Address the geographical gaps in forest financing by giving special consideration to dryland forests and the special needs of low forest cover countries, small island developing States, high forest cover countries, African countries, and least developed countries;

(c) Invite donors to provide resources to the facilitative process to carry out the following tasks, in collaboration with Collaborative Partnership on Forests members, including FAO and the Global Mechanism of the United Nations Convention to Combat Desertification:

(i) Develop national and regional forest financing strategy templates, in collaboration with countries and Collaborative Partnership on Forests member organizations, for the low forest cover countries, small island developing States, African countries and least developed countries, and assist these countries to develop relevant projects;

(ii) Make proposals for improving coordination and collaboration among forest-related financing mechanisms to the Forum at its eleventh session, with a view to facilitating access by countries to funds;

(iii) Address forest and economic development gaps that can have an impact on forest financing.

91. **New and emerging funds**:

(a) Recognize the opportunities for mobilizing new financing for forests through funds, strategies and programmes in various Collaborative Partnership on Forests member organizations, as well as other relevant international and regional organizations;

(b) Invite parties to the United Nations Framework Convention on Climate Change and the United Nations Convention to Combat Desertification and regional development banks and programmes to integrate financing activities for sustainable forest management in their relevant funds and operational programmes, including the Green Climate Fund, the Adaptation Fund of the United Nations Framework Convention on Climate Change and similar programmes of the United Nations Convention to Combat Desertification;

(c) Invite parties to the Convention on Biological Diversity to integrate financing of sustainable forest management in their relevant programmes and strategies, including the resource mobilization strategy.

92. **Other forest financing options**:

(a) Further consider the establishment of a voluntary global fund to enhance the achievement of sustainable forest management by developing countries and countries with economies in transition;

(b) Consider other options to mobilize new and additional financing for forests, including an umbrella framework to coordinate the existing forest-related financing mechanisms and brokering or intermediary institutions at various levels to improve access of countries to financing for forests.

93. **Mainstreaming forests in development decision-making processes**:

(a) Strengthen evaluation of the full range of forest values, including through natural resources accounting;

(b) Integrate broader values of forests into development planning, decision-making and investments.

94. **Forests, the post-2015 development agenda and sustainable development goals**:

Invite countries, through their relevant representatives, to integrate forests in the post-2015 development agenda and within the sustainable development goals and to integrate financing in sustainable development financing strategies, taking into account the fact that forests play a vital role in poverty eradication and improved livelihoods.